

## REPORT ON THE CITY OF CHATTAHOOCHEE HILL COUNTRY: POTENTIAL REVENUES AND EXPENDITURES

The task of this brief is to provide a series of revenue and expenditure estimates for the new municipality of the City of Chattahoochee Hill Country.

To establish the estimates for the City of Chattahoochee Hill Country, we examined numerous documents, spoke with many individuals at Fulton County and other related governments and institutions, researched and incorporated current legislation at the state and local level, revised based on the current annexations in unincorporated South Fulton Tax District through 1/1/2007, and analyzed multiple databases. We met with each department head who was providing services through to the South Fulton Tax District to the geographical area of the City of Chattahoochee Hill Country. These services provided through the South Fulton County Tax District Fund differ from the general county-wide services provided by Fulton County in that this set of municipal-like services is limited in scope to the unincorporated areas within the County.

In almost every case, we verified all the data by comparing the data provided to alternative sources. Although we are confident in our verification of the data, the task of predicting service costs and the revenue potentials of a new city from a county based

municipal-like service base assumes that the new city will provide the identical set of services currently offered through the County. This assumption introduces error into our estimates. To compensate for this effect we approach the estimates based on conservatism. That is, we under-estimate potential revenues while over-estimating potential costs. We acknowledge and recognize the limitations of revenue and expenditure projections.

In this brief we offer the reader the opportunity to review our assumptions. Our revenue estimates are based on the following assumptions: 1) that the City of Chattahoochee Hill Country would continue the current tax and fee policies, with a millage rate of 5.731 per \$1000 in tangible property value; 2) the City of Chattahoochee Hill Country would receive, based on the US Census of 2000, a share of the local option sales tax (LOST) fund revenue. This revenue is based on the current established formula by Fulton County and the incorporated cities within the county; and 3) the City of Chattahoochee Hill Country would continue with the current zoning and planning projections (inclusive of the overlay) and growth estimates as provided by the Fulton County Demographer and the Atlanta Regional Commission.

**TABLE 1. CITY OF CHATTAHOOCHEE HILL COUNTRY EXPENDITURES AND REVENUES**

	<b>Conservative Basis<sup>1</sup></b>	<b>Metro Basis<sup>2</sup></b>	<b>Fulton County Budget Basis<sup>3</sup></b>
Estimated Annual Revenue	\$2,632,139	\$2,645,328	\$2,572,844
Estimated Annual Expenditure	<u>\$2,546,143</u>	<u>\$1,901,977</u>	<u>\$2,588,487</u>
Estimated Surplus (Deficit)	\$ 85,996	\$ 743,351	(\$ 15,643) <sup>3</sup>

1. The findings of this brief are reflected in this column.
2. These findings are for reference only, and do not reflect our opinion.
3. This is within our computational error and thus is the same as zero.

Our expenditure estimates are based on: 1) the City of Chattahoochee Hill Country will continue to provide a similar set of services, at the same range and level, as currently provided by the Fulton County SSD; 2) the City of Chattahoochee Hill Country would incur similar administrative, general governance, and infrastructure costs as those found in Fulton County cities and other cities in Georgia; and 3) the City of Chattahoochee Hill Country would provide all current services unequivocally to all citizens of the City.

We estimate the capital expenditures of the City of Chattahoochee Hill Country by the established precedent set by the Fulton County Commission for the three assets, park land, greenspace, and fire stations. That precedent was a cost of \$100 per acre for park land and \$5000 for the capital asset of the firehouse building. Based on these costs, the assets currently owned by Fulton County but residing within the new boundaries of the City of Chattahoochee Hill Country are valued at \$93,127. Given that the dollar value of these assets is minor, we offer two alternatives to acquire the assets. The first is a direct purchase of the asset based on a cash purchase. The second is a short-term note based on the current market rate of 4.04 percent for a 10 year note.

Our estimation assumptions include a growth rate of zero percent. Although the South Fulton area has been growing on average at a rate of about 5.28 percent annually as projected through a thorough assessment of the Atlanta Regional Commission and the Fulton County Demographer's estimations, we assume no growth in the area to provide a conservative financial estimate. We have also assumed no change in the appraised value of properties in the area. While we know that Fulton County property valuations are increasing on an ongoing basis, the exact changes are not yet available, and the extent of the property value change is controlled by the County Assessor's Office. These two assumptions, zero growth and zero change in property values from FY2006, result in an under-reporting of anticipated

revenues, again providing a model that generates a conservative financial estimate.

## **Conclusion**

We find that the City of Chattahoochee Hill Country is financially viable under our conservative basis estimations. Our findings show that for 2008 the City of Chattahoochee Hill Country would have a surplus of approximately 3.25 percent of total revenues based on our conservative estimates. Our finding shows that under the current mill levy on property of 5.731 per \$1000 property value and the use of municipal bonds to finance the debt for the current infrastructure assets owned by Fulton County (fire stations, parks & recreation, and greenspace), in 2008 the City of Chattahoochee Hill Country would have a surplus of \$85,996, as shown in Table 1.

This reserve outcome in the conservative estimate includes the City of Chattahoochee Hill Country's acquisition of all current assets from Fulton County through a municipal bond debt of \$96,386 (includes 3.5 percent issuance cost) at a rate of 4.04 percent over 10 years. The City of Chattahoochee Hill Country would have a payment of \$11,908 per year for these assets or may choose to pay \$93,127 for the Fulton County assets in cash.

We offer another estimate for the City of Chattahoochee Hill Country based on the Department of Community Affairs (DCA) Metropolitan Atlanta area. We find that using this estimation technique, the City of Chattahoochee Hill Country has a surplus of \$743,351 or about 28.1 percent of total revenues. This cost estimate includes debt service for the Fulton County assets and the proportion of Public Works based on population currently shown in the Fulton County General Fund. We reallocate the Public Works since the costs associated with this item are for road construction and repair in the unincorporated areas.

We offer another estimate using the 2007 Approved South Fulton Tax District budget and allocate the Local Option Sales Tax by population to the City of Chattahoochee Hill Country. This estimate of the annual expenditures and revenues indicate that the City of Chattahoochee Hill Country would have a deficit of

\$15,643 or 0.6 percent of total revenues. This is within our margin of computational error, and we therefore conclude that this is the same as a balance of zero. This cost estimate includes debt service for the Fulton County assets and the proportion of Public Works based on population currently shown in the Fulton County General Fund. We reallocate the Public Works since the costs associated with this item are for road construction and repair in the unincorporated areas.

## Findings

It is our opinion and supported by our overall findings that the City of Chattahoochee Hill Country is financially viable under all of our analyses. We find that the conservative estimates can provide the City of Chattahoochee Hill Country with a surplus balance that is similar to the guidelines set by the Government Finance Officers Association (GFOA). We also find that using the reference metro area basis or the like-size basis estimates may be overly optimistic. New cities incur costs that older, more established cities will not be burdened with. It is our opinion that the estimates under the conservative basis provide the City of Chattahoochee with a reasonable reserve fund and indicate the viability of this potential new city.

## ABOUT THE AUTHORS

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